

Washington
State
Hospital
Association



April 16, 2012

RECEIVED
APR 17 2012
Office of the Governor

The Honorable Christine Gregoire
Washington State Governor
PO Box 40002
Olympia, Washington 98504-0002

Re: Request Veto of Section 213 Subsection 40 of Third Engrossed
Substitute House Bill 2127

Dear Governor Gregoire:

On behalf of the hospitals of Washington State I write to ask that you veto Section 213 Subsection 40 of Third Engrossed Substitute House Bill 2127. This subsection directs the state Health Care Authority, in collaboration with other stakeholders to "design a system of rural health system access and quality incentive payments." There is no funding provided to accomplish this work.

While we support the goal of the drafters to improve the system of care for rural residents and, in particular, to develop a system of provider incentive payments based on performance, it is difficult to understand from the language of the subsection either which providers might be considered "performers" or what measures might constitute a "baseline" against which performance improvement would be measured.

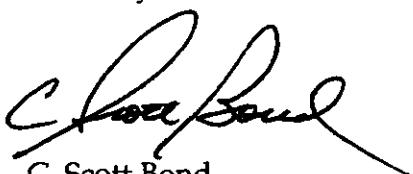
The Washington State Hospital Association does believe that access to healthcare services for rural residents is in serious peril. The state's continuing budget challenges, coupled with the consequences of the long-term economic declines in the fishing and timber industries, and the effect of the globalization of agriculture markets blend to demand a re-thinking of the state's role in assuring access to essential health services for rural residents.

And so, for that reason, we intend, during the interim, to undertake an analysis which will a) define the health needs and resources that exist in rural communities; b) propose a service delivery model(s) that will ensure access to quality care; and c) recommend changes in policies and payment systems that will support access and incentivize the efficient delivery of quality healthcare services.

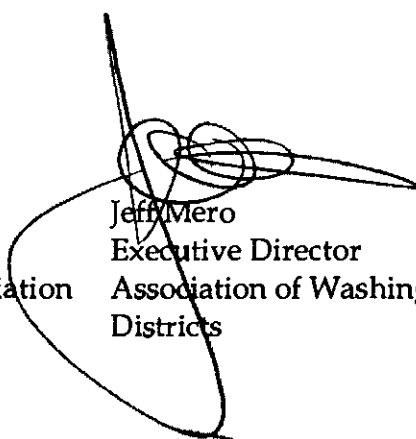
WSHA intends to commit significant staff resources to this enterprise and is already engaging with other health organizations to ensure that our efforts are collaborative and lead to a more integrated system of care. We would very much appreciate the partnership of the several state agencies that are involved in health care delivery and we believe that, with your support, we could accomplish that without the unfunded budget proviso contained in section 213, subsection 40 of Third Engrossed Substitute House Bill 2127.

Thank you for considering our request.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Scott Bond". The signature is fluid and cursive, with the first name "C." and last name "Bond" clearly distinguishable.

C. Scott Bond
President and CEO
Washington State Hospital Association

A handwritten signature in black ink, appearing to read "Jeff Mero". The signature is more stylized and circular than the one on the left, with a large loop at the end.

Jeff Mero
Executive Director
Association of Washington Public Hospital
Districts

Mackey, Betty (GOV)

From: govswemail@iq.wa.gov (imailagent) [govoutbound@iq.wa.gov]
Sent: Tuesday, April 24, 2012 10:00 AM
To: Mackey, Betty (GOV)
Cc: Schaff, Randi (GOV); Phillips, Pam (OFM)
Subject: Bill letter 1004278 - Washington Food Industry Association (Intranet Quorum IMA00364178)
Attachments: IQFormatFile.txt

Generated from CSU
IQ - Intranet Quorum
WF#: 1004278

Office of the Governor
Mail Stop: 40002

Created on 4/24/2012 9:59:04 AM

REFERRAL DIRECTIONS

Referred To: **Betty Mackey -**

**Routing
Instructions:**

Action: FYI only -- no response required

CC's: randi.schaff@gov.wa.gov; pam.phillips@ofm.wa.gov

Message: Your message to the Governor: Budget
Dear Governor Gregoire,

RE: Budget Veto Request

On behalf of the Washington Food Industry Association, (WFIA) we would like to urge your veto of a budget proviso in Section 213, subsection 49 of 3ESHB 2127. The proviso gives the Health Care Authority the authorization to pursue a competitive bidding process for generic drugs. WFIA, which represents independent pharmacies within our stores, believes that although the language is permissive, the result will most likely end up costing the state money rather than saving dollars.

The HCA reimbursement process already ensures that the state is paying for least costly generics. Generic drug manufacturers can already compete and the current process does a better job of ensuring a variety of drugs are available rather than limiting community to just one generic drug on an approved list. The proviso language would take away the ability for community pharmacies to negotiate lower prices through drug wholesalers and other drug manufacturers on behalf of Medicaid which is currently an effective means of driving down the cost of prescription drugs.

Drug prices change as often as weekly. Unless the Health Care Authority can keep on top of the lowest cost generic on a weekly basis and have the flexibility to change the contracted drug, significant savings to the state will be lost.

I respectfully ask that you veto this section and instead require a vetting of this idea through a public process designed to more thoroughly examine the potential outcomes.

Sincerely,

Jan Gee
President & CEO
Washington Food Industry Association

Referral Date: April 24, 2012

Due Back:

Send Questions
and Response To: Phil DuBois - govswebmail@iq.wa.gov

CONTACT INFORMATION

From: Ms. Jan Gee

jangee@wa-food-ind.org

Phone(s):

Business:

Cell:

Home: 360-753-5177

Fax:

Contact Date: 04/20/2012

Contact Type:



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Washington Retail Association

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HAND DELIVERED

APR 19 2012

OFFICE OF THE GOVERNOR

The Honorable Christine Gregoire
Office of the Governor
Legislative Building
Hand Deliver

Dear Governor Gregoire,

On behalf of the pharmacy members of the Washington Retail Association I am writing to ask you to veto a budget proviso that was included in the final version of 3ESHB 2127 2011-13 Supplemental Operating Budget.

Under section 213, Washington State Health Care Authority (HCA), subsection 49, there is a proviso that authorizes the HCA to pursue a competitive generic bidding process. This is a new and unproven concept and will most likely cost the state money, rather than save it. I understand that the language is permissive; however, we feel this sets a dangerous precedent and support complete removal of the proviso.

Although this language is included in the budget, this provision was not shared with impacted stakeholders or open for public hearing or comments. Therefore stakeholders are left to deal with the impact of these harmful changes if implemented. The competitive generic drug bidding process is an unknown process with many unanswered questions. Competitive bidding for generics WILL NOT lower the cost of prescription drugs for the State's Medicaid program. In fact, this goes against our state's generic substitution goal.

By only having one generic drug on the approved list, pharmacists will be unable to negotiate lower price drugs on behalf of Medicaid through drug wholesalers and other drug manufacturers which currently drive down the cost of prescription drugs by allowing them to get lower cost generics.

Drug prices change as often as weekly. Unless the Health Care Authority can keep on top of the lowest cost generic on a weekly basis and have the flexibility to change the contracted drug, significant savings to the state will be lost.

I respectfully ask that you veto this section and allow for the public process to take place on this important issue. Thank you for your consideration.

Sincerely,

Jan Teague, President/CEO
Washington Retail Association

Mackey, Betty (GOV)

To: Justin, Jim (GOV)
Subject: FW: Budget proviso directing the HCA to consider competitive bid process for generic drugs - Found word(s) drugs in the subject

From: Dave Mastin [<mailto:davemastin@charter.net>]
Sent: Wednesday, April 18, 2012 9:25 AM
To: 'jim.justin@gov.wa.gov.'
Subject: FW: Budget proviso directing the HCA to consider competitive bid process for generic drugs

Not sure this email went through the first time.

Warm Regards,

Dave

JDM Consulting, LLC

120 State Ave. NE #300
Olympia WA 98501
(360) 584-5705

This email is intended only for the named recipient(s) or their designees, and may contain legally privileged or confidential information. If you have received this email in error, please delete it entirely from your computer and notify the sender. Thank you.

From: Dave Mastin [<mailto:davemastin@charter.net>]
Sent: Tuesday, April 17, 2012 3:29 PM
To: 'jim.justin@gov.wa.gov.'
Cc: 'linda.parlette@leg.wa.gov'; 'steve.conway@leg.wa.gov'
Subject: Budget proviso directing the HCA to consider competitive bid process for generic drugs

Jim:

In section 213(49) of the budget, the Health Care Authority is directed to consider a Competitive Bid process for generic drugs. As you know, I represent Mylan Inc., a generic medicine provider. Mylan would like to add its voice to those requesting the Governor to veto this subsection.

If this proviso is enacted, Mylan believes the bidding process will cause a new delay for generic entry into the market. Mylan estimates that the delay could take 6 months and possibly up to a year for a bidding process to take place. This scenario appears to give the brand version exclusivity in Medicaid during that time frame from generic launch until Washington completed a bidding process. (I would guess that the brand's statement that the proviso will save money does not take into account the period when it has exclusivity at the brand price.)

Of course, the brand's claim of savings is questionable on many other grounds too. The generic business model is already highly competitive and the state benefits from that private sector competition. (Of course, brands have a very different business model, focused on exclusivity.)

We do not believe a competitive bidding process would generate savings as generics are already in a competitive marketplace. States that have attempted to implement a preferred generic or supplemental rebate program for generics have all determined that costs would actually increase instead of decrease as a result of the process.

I would also add that many generic companies do not make enough of any product for it to be distributed on a national level. As a result, a company could determine that there is no harm to not selling their product in Washington. As you can surmise, a comp bid process in Washington may simply push generics to shift distribution to another state. The result in our state could be less competition and higher prices for consumers.

To all this, I would add that on a grand scale, the brand company seems to be trying to weaken our state's advocacy for generics. The proviso (whether acted upon or not) gives the brand a starting point to use as a platform for future policy discussions in our state (and in other states). With the proviso, the brand can say the Governor supports the direction of the proviso.

Mylan believes this is bad policy and encourages the Governor to eliminate this creeping move by the brand company.

Warm Regards,

Dave Mastin

JDM Consulting, LLC.

120 State Ave. NE #300

Olympia WA 98501

(360) 584-5705

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Washington
State
Hospital
Association



April 19, 2012

The Honorable Christine Gregoire
Washington State Governor
P.O. Box 40002
Olympia, Washington 98504-0002

Re: **Third Engrossed Substitute House Bill 2127**

Dear Governor Gregoire:

On behalf of the hospitals of Washington State, I am writing to ask that you veto Section 213, Subsection 44, of Third Engrossed Substitute House Bill 2127. This subsection directs the Washington State Health Care Authority to review and report on the payment of facility fees in programs administered by the authority, and report its findings and recommendations to the Washington State legislature by November 1, 2012.

This study targets hospital-based clinics – entities that are clinically and financially integrated into the hospitals that operate them and meet the higher hospital level of building and operating requirements. As a result, the facility component is recognized as an outpatient hospital service, and under Medicare and Medicaid, billed and paid accordingly.

We believe the need for facility fees is already well documented and tightly regulated by the Centers for Medicare and Medicaid Services and other agencies. If the state proceeds with a study, however, we would ask that the parameters of the study be broadened. As crafted, the study will produce a flawed analysis.

The study goal of comparing payments for health services at clinics able to bill a separate facility charge and those that do not ignores inherent differences in requirements, costs, resources, and capacity between hospital-based and freestanding clinics. It also assumes the existence of “comparable services” in areas where hospital-based clinics exist.

The increase of hospital-based clinics is largely a symptom of low Medicare and Medicaid payments that make independent physician practices unsustainable for clinics serving high proportions of Medicare and Medicaid patients. In many cases, the comparable freestanding clinic is imaginary. Hospitals are increasingly asked to acquire practices or open clinics in order to preserve or create access to primary care and other services in their communities. The study makes no mention of the role hospital clinics have in preserving and providing needed access to health care, particularly care that reduces demand on emergency department services.

We would be pleased to participate in a study that takes a more comprehensive view of the role of clinics in our communities and the most cost-effective way to provide access to needed health care.

Thank you for considering our veto request.

Sincerely,

A handwritten signature in black ink, appearing to read "Randy Revelle", with a large, stylized initial "R" and a long, sweeping horizontal stroke extending to the right.

Randy Revelle
Senior Vice President
Washington State Hospital Association



Washington State Association of Counties

April 18, 2012

The Honorable Chris Gregoire
Office of the Governor
PO Box 4002
Olympia, WA 98504-0002

HAND DELIVERED

APR 18 2012

OFFICE OF THE GOVERNOR

Dear Governor Gregoire:

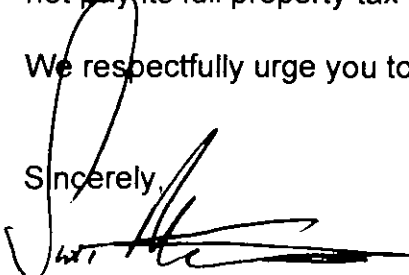
We respectfully request that you veto sections 308(2), 925 and 926 of 3ESHB 2127 which shift a substantial portion of the Department of Natural Resources' (DNR) fire suppression costs (\$2.1 million) to the Forest Development Account instead of the general fund. All landowners, public and private benefit from DNR's fire suppression program.

The Forest Development Account (FDA) is dedicated to the DNR for the management of county trust lands, and is funded by a portion of the revenue retained from the harvest of timber on those lands. By shifting this disproportionate amount of fire suppression costs over to the FDA, the legislature would be requiring the use of county trust resources on lands that benefit a different trust beneficiary or private lands. Throughout the legislative deliberations, we and the other beneficiaries communicated our opposition with this funding approach to the legislature and your staff. We offered to support an amount that was in proportion to the amount of county trust lands managed by the DNR. One of the early Senate budgets included this approach. We believe this shift is inequitable, and most likely violates the state's trust undivided loyalty obligations. See *County of Skamania v. Washington (1984)*

We also request that you veto section 924, which caps the Department of Fish and Wildlife's payments-in-lieu-of-taxes (PILT) to counties on game lands that are exempt from property tax due to their public ownership. Failure by the state to pay the PILT amount that a county may legitimately request under RCW 77.12.203, creates a further disincentive for counties to support public land acquisition for habitat protection and recreation. These counties already have a significant amount of publicly owned lands and this proposed reduction is significant compared to other reductions proposed in this budget. We do not believe it is in the state's interest to send the message that it will not pay its full property tax bill on publicly owned lands.

We respectfully urge you to veto sections 308(2), 924, 925 and 926 of 3ESHB 2127.

Sincerely,


Scott Merriman
Deputy Director

cc: Representative Hunter
Representative Alexander
Senator Murray
Senator Zarelli
Marty Brown, OFM
Commissioner Goldmark, DNR
Phil Anderson, DFW

